

Message Text

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72

ACTION ARA-17

INFO OCT-01 ADP-00 IO-12 ABF-01 L-03 H-02 AID-20 EB-11

NSC-10 RSC-01 CIEP-02 TRSE-00 SS-15 STR-08 OMB-01

CEA-02 CIAE-00 COME-00 FRB-02 INR-10 NSAE-00 XMB-07

OPIC-12 LAB-06 SIL-01 SAL-01 DODE-00 PA-03 USIA-12

PRS-01 RSR-01 /162 W

----- 123078

R 052025 Z APR 73

FM AMEMBASSY LA PAZ

TO SECSTATE WASHDC 9499

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E. O. 11652: N/A

TAGS: EAID, ECON, EFIN, BL

SUBJ: GOB FISCAL PERFORMANCE

REF: MEMORANDUM OF CONVERSATION, MARCH 26, 1973

1. DURING AMBASSADOR'S VISIT APRIL 2 TO PRESIDENT ON OTHER MATTERS, PRESIDENT RAISED SUBJECT OF STABILIZATION PROGRAM. AMBASSADOR TOOK ADVANTAGE OF THIS OPENING TO NOTE HE UNDERSTOOD THAT MINISTER OF FINANCE WOULD SOON BE PRESENTING TAX AND TAX ADMINISTRATION REFORM PACKAGE TO CONEPLAN AND CABINET. (BY DECREE 10550, PACKAGE MUST BE PRESENTED TO CONEPLAN BY APRIL 27.) AMBASSADOR SAID USAID HAD BEEN WORKING FOR A LONG TIME IN THIS AREA AND IT NOW WAS EXCEEDINGLY IMPORTANT THAT GOB TOOK DECISIVE ACTION TO CURE ITS FISCAL PROBLEMS ON MORE PERMANENT BASIS. AMBASSADOR WENT ON TO NOTE THAT SLIPPAGES IN STABILIZATION PROGRAM, SPECIFICALLY IN AREA FISCAL RECEIPTS, ARISING FROM CONCESSIONS TO PRIVATE SECTOR SUCH AS ABUNDANT TAX RELIEF GIVEN TO COTTON GROWERS HAD MADE SITUATION MORE CRITICAL.

2. PRESIDENT RESPONDED THAT MUCH OF RECENT POOR PERFORMANCE
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WOULD BE MADE UP WHEN MEDIUM MINERS AND OTHERS NOW HOLDING BACK OR DELAYING TAX PAYMENTS FOR VARIOUS REASONS FINALLY PAID IN THESE TAX LIABILITIES. AMBASSADOR SAID HE HOPED THESE DELAYED PAYMENTS WOULD HELP RECTIFY SITUATION BUT IN MEANTIME DEFICIT WAS APPEARING AT THIS JUNCTURE INSTEAD OF EXPECTED SURPLUS AND GOB WAS HAVING DIFFICULTY RAISING INVESTMENT FUNDS TO USE AS COUNTERPART TO IDB AND IBRD LOANS.

3. AMBASSADOR'S CONVERSATION WITH PRESIDENT SERVES AS TIMELY FOLLOW-UP TO MEETING USAID AND EMBASSY OFFICIALS WITH MINISTER FINANCE BEDREGAL ON MARCH 26, 1973. (SEE MEMORANDUM OF CONVERSATION DATED MARCH 26, 1973.) IN EARLIER MEETING MINFIN AGREED TO IMPLEMENT IMMEDIATELY ALL ELEMENTS OF TAX ADMINISTRATION PROGRAM SUGGESTED BY USAID/IRS EXCEPT ELIMINATION OF TAX AMNESTY. (REST OF PROGRAM INCLUDES ESTABLISHMENT OF CAREER, MERIT PERSONNEL SYSTEM IN RENTA AND POSSIBLY ADUANA; REORGANIZATION OF RENTA TO IMPROVE TAX ENFORCEMENT PROCEDURES; INCREASED USE OF DATA PROCESSING TO IMPROVE AUDIT SELECTION AND ENFORCEMENT; INCREASED TAX ENFORCEMENT IN INTERIOR; AND INCREASED TAXPAYER EDUCATION AND ASSISTANCE.) ACCORDING MINFIN, PRESIDENT HAS ALREADY AGREED ALLOW TAX AMNESTY THIS YEAR AS QUID FOR GAINING PRIVATE SECTOR AGREEMENT TO PAY 14 TH MONTH SALARY (OR SECOND AGUINALDO). AT PRESENT USAID PARTICIPATING IN WEEKLY MEETING HEADED BY SUBSECRETARY BLANCO, TO IMPLEMENT TAX ADMINISTRATION PROGRAM, A PART OF WHICH WILL BE INCLUDED IN TAX REFORM PACKAGE SENT TO CONEPLAN AND CABINET.
SIRACUSA

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*** Current Handling Restrictions *** n/a

*** Current Classification *** LIMITED OFFICIAL USE

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